

**A FINANCIAL REVIEW CHECKLIST:  
SUPPORTING BEST PRACTICES IN FINANCIAL MANAGEMENT**

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## **Abstract**

Institutions of higher education that receive federally funded grants and cooperative agreements should have internal controls and trained personnel to fulfill various roles and responsibilities in order to comply with the Uniform Guidance as incorporated by each federal grant-making agency, along with the award terms and conditions. Research administrators are an important part of maintaining internal controls because they monitor and review expenditures, retain proper documentation, take action on any administrative requirements, and communicate directly with the principal investigator to resolve any issues. These responsibilities are all necessary to ensure that the awards are properly managed and protected against audit risk. The greater objective is to ensure accountability in the use of taxpayer dollars to stakeholders like the federal government and general public. The goal of this project is to develop a resource that would increase the efficacy and efficiency of research administrators performing financial management duties. The result was the creation of a sponsored projects financial review checklist that provides guidance and suggests best practices to handling common financial management issues and high risk audit items. The literature review provided many sources such as institutional closeout checklists that reflected common financial management issues, and audit reports from the federal inspector general that highlighted compliance areas that continue to be audit risks for institutions of higher education. The information was implemented into the checklist, so research administrators could use it as guidance to perform a consistent and thorough financial review.

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## Glossary and Abbreviations

**Audit findings.** Significant deficiencies, material weaknesses, material noncompliance, and known questioned costs that are reported by an auditor on the schedule of findings and questioned costs.<sup>1</sup>

**Institutions of higher education (IHE).** It is a nationally accredited public or non-profit educational institution providing education beyond secondary education that admits students that have graduated from a school providing secondary education.<sup>2</sup>

**Internal controls.** A process implemented to achieve efficacy and efficiency of operations, and to ensure that recipients of federal awards maintain proper records, reliable reporting and compliance with award terms and conditions.<sup>3</sup>

**Principal Investigator (PI).** The individual appointed by their organization to have the authority and responsibility to lead and direct the project being funded by the award.<sup>4</sup>

**Uniform Guidance.** Guidance issued in 2 CFR 200 by the Office of Management and Budget to streamline administrative requirements, cost principles, and audit requirements for Federal awards.<sup>5</sup>

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<sup>1</sup> “Grants and Agreements,” Office of Management and Budget, *Code of Federal Regulations*, title 2 (2021): 208-209, <https://www.govinfo.gov/content/pkg/CFR-2021-title2-vol1/pdf/CFR-2021-title2-vol1.pdf>.

<sup>2</sup> “20 U.S. Code § 1001 - General Definition of Institution of Higher Education,” Cornell Law School, accessed September 26, 2021, <https://www.law.cornell.edu/uscode/text/20/1001>.

<sup>3</sup> “Grants and Agreements,” Office of Management and Budget, *Code of Federal Regulations*, title 2 (2021): 104, <https://www.govinfo.gov/content/pkg/CFR-2021-title2-vol1/pdf/CFR-2021-title2-vol1.pdf>.

<sup>4</sup> “Glossary & Acronym List,” National Institutes of Health, accessed September 26, 2021, <https://grants.nih.gov/grants/glossary.htm>.

<sup>5</sup> Ibid.

## **Chapter 1. Introduction**

### **1.1. Background.**

An important element of post award administration at institutions of higher education is the financial management of federally sponsored projects. Federally funded grants and cooperative agreements must be managed by following the guidance of 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards issued by the Office of Management and Budget, and as incorporated by each federal grant-making agency. It is also commonly referred to as the Uniform Guidance. When a federal grant-making agency issues an award, it provides an award notice to the recipient that includes the award terms and conditions. In order for federal grant-making agencies to ensure that the recipients have adhered to the terms and conditions, the Uniform Guidance requires a Single Audit of the recipients that expend \$750,000 or more in federal awards during the recipient's fiscal year. The federal grant-making agencies may also conduct agency specific audits.<sup>6</sup>

Institutions of higher education need to have internal controls and trained personnel to fulfill various roles and responsibilities in order to comply with the Uniform Guidance. One of these roles is to have research administrators engage in the financial management of the awards. It is important to note that the research administration structure may vary at each institution of higher education. Research administrators can be staffed at the departmental office, divisional office or even the central post award administration office. Regardless of the organizational structure, research administrators have the common responsibility of directly handling each award by reviewing the award

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<sup>6</sup> "Grants and Agreements," Office of Management and Budget, *Code of Federal Regulations*, title 2 (2021): 196, <https://www.govinfo.gov/content/pkg/CFR-2021-title2-vol1/pdf/CFR-2021-title2-vol1.pdf>.

terms and conditions, monitoring and reviewing the expenditures, bringing attention to any administrative actions that are needed, and communicating with the principal investigator. Research administrators are able to address many financial management issues because there is sufficient information available to make those decisions by reviewing documentation or requesting information from the principal investigator. These actions and responsibilities of a research administrator are all necessary to maintain good internal controls. Some research administrators handle awards from cradle to grave, which means they also spend their time working on pre-award administration duties such as proposal development. It is important to recognize the many responsibilities that need to be fulfilled by a research administrator in a finite amount of time.

As a result, there should be a focus on developing resources that would increase the efficacy and efficiency of research administrators performing financial management duties. One of these resources would be a sponsored projects financial review checklist providing guidance and best practices to some of the most common financial management issues and high risk audit items.

## **1.2. Statement of the Problem.**

The problem to be addressed is how to support research administrators to work efficiently and effectively on providing sufficient internal controls in the financial management of all awards and reduce audit risks. Research administrators need to know the financial management issues and high risk audit items that require periodic financial review throughout the award lifecycle, apply it in a consistent manner, and be able to complete a timely award closeout. Some of the risks are related to issues involving cost allowability, documentation, spending rates, drawdowns, subawards, program income

and cost transfers.<sup>7</sup> Proper financial review and maintenance reduces the likelihood of audit findings. The research administrator will need to review the expenditures for any unallowable, unallocable or unreasonable costs. This is followed by initiating timely cost transfers, which should be completed within 90 days. Cost transfers completed after 90 days may be an indicator that there are insufficient internal controls in place. The drawdown of funds should then match the general ledgers. The financial review should also determine if there are any costs that are allowable, but may be questioned by the auditors. The research administrator should retain proper documentation for those expenditures to be used to support the allowability of the cost during an audit. They should also monitor the project for any potential indicators of a change in the scope of work because a request will need to be submitted to obtain prior approval before a change can be made. It is important to monitor the expenditure rate, as it should be spent at the same pace of the work being completed. For example, a significant increase of spending at the very end of a project can be an indicator of a misuse of funds. There should also be proper oversight in risk areas such as subrecipient monitoring, cost sharing commitments and program income reporting.

When the project approaches the last 90 days of the award period, it is time to start preparing for closeout. There will be additional financial management issues to address such as clearing old encumbrances and scrutinize equipment purchases. When proper internal controls are in place and the project is well managed, there should be few problems at closeout. This will allow the closeout process to be completed in a timely manner and the final reports submitted by the federal grant-making agency's deadline.

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<sup>7</sup> Brett M. Baker, "Automated Techniques for Enhanced Grant Oversight," *NCURA Magazine*, August 2015, 5, [https://www.ncura.edu/Portals/0/Docs/Magazine/2015/August2015\\_NCURA\\_Mag.pdf](https://www.ncura.edu/Portals/0/Docs/Magazine/2015/August2015_NCURA_Mag.pdf).



While there are primary sources like the Uniform Guidance, agency award terms, and the institutional post award manual, there is still a need for tools that can be used in conjunction with the primary sources to provide further guidance to research administrators to consistently apply best practices in the financial management of their portfolio of awards. There seems to be resources missing for research administrators that is in a format that would both be concise and provide guidance in performing a thorough financial review and suggesting when to take particular actions as they manage an award through its lifecycle.

The lack of good stewardship can lead to audit reports from the federal inspector general with many audit findings that are publicly available for viewing and can lead to poor publicity and a diminished reputation for the institution of higher education. All disallowed costs will need to be repaid to the federal grant-making agency. In addition, findings may also be an indicator of poor internal controls that require corrective action.

### **1.3. Project Question.**

Research administrators need training and resources in order to be good stewards of their portfolio of awards. One resource that can be developed is a sponsored projects financial review checklist that will serve as guidance during the periodic financial review of each award. The checklist will address many of the common financial management issues and provide guidance on how to handle those issues. It will also address some common noncompliance areas and items that come up frequently as audit findings.

### **1.4. Project Objectives.**

The objective is to create a sponsored projects financial review checklist that will provide an additional resource to research administrators to help them effectively and

efficiently management their portfolio of awards. The checklist will fulfill the need for a compilation of common financial management issues condensed into several pages, rather than hundreds of pages like a post award manual. It will serve as a step-by-step guide to be used in a practical setting that will supplement primary resources such as the sponsor award terms and institutional post award manual.

The monthly monitoring and reconciling of expenditures is a common practice among research administrators. The checklist will help research administrators consistently apply best practices, maintain good internal controls, and reduce audit risks. It will be a user-friendly guide that will help ensure that research administrators complete a thorough review and provide adequate oversight, which will reduce the probability that an issue is overlooked during the monitoring and reconciling of expenditures. The use of the checklist should help reduce the number of problems that need to be addressed during closeout and the likelihood of any audit findings down the line.

### **1.5. Significance.**

A sponsored projects financial review checklist can help research administrators effectively and efficiently management their portfolio of awards. It will provide guidance on handling common financial management issues and high risk audit items to support good internal controls and protect against audit findings.

Information on financial management issues are often scattered throughout many guides and files. Research administrators may make notes in award documents or institutional post award manuals. Information can be sent through emails, posted on websites or distributed during meetings. While these sources of information provide important details, there doesn't seem to be a resource that encompasses common

financial management issues in the form of a single checklist with short descriptions that address how to handle each issue and easily guide a research administrator through the actual financial review process.

When it comes to the actual practice of performing a financial review, it can be difficult to memorize all the financial management issues that one will need to review for each award. The sponsored projects financial review checklist will serve as a resource to help research administrators maintain consistency in the practice, easily navigate through many common financial management issues, provide proper oversight over financial management issues, and complete a thorough financial review.

The checklist can be uploaded as a shared file to a cloud drive and can be edited periodically with updated best practices and revised guidance to financial management issues. There are always periodic updates to research administration policies and procedures, so it is necessary to include the most current information. A checklist uploaded as a shared file allows for a central location for the cumulative information in a user-friendly format that one can quickly browse through.

#### **1.6. Exclusions and Limitations.**

The sponsored projects financial review checklist is designed to be a supplementary resource, and not in substitution of the any primary documents such as the Uniform Guidance, award terms and conditions, and institutional policies and procedures. Research administrators should review and understand the primary documents, but can use the checklist as supplementary resource to aid them in the financial management of their portfolio of awards. The checklist will suggest best practices and point out audit items for common financial management issues, but it will not encompass every single

detail. This is especially true when it comes to agency specific requirements and award specific requirements that may appear on the award documents.

## **Chapter 2. Literature Review**

### **2.1. Overview of literature review.**

A literature review was completed by browsing publications from both the National Council of University Research Administrators (NCURA) and the Society of Research Administrators International (SRAI). NCURA had several articles on what to expect during an audit, common areas of noncompliance and audit findings, and best practices to improve internal controls. While the literature review didn't yield any articles specifically related to creating a sponsored projects financial review checklist, a review of the sponsored projects websites of many institutions of higher education showed that some institutions of higher education have institutional post award manuals and closeout checklists. Closeout checklists are used either near the award end date or after the award end date to certify that a list of financial management issues have been reviewed and all expenditures are applicable to the award. While most closeout checklists don't provide the level of guidance that is to be expected from a sponsored projects financial review checklist, it does make mention of common financial management issues to review. A review of the audit reports made available by federal grant-making agencies such as the National Science Foundation and the National Institutes of Health showed many of the common areas and topics that had noncompliance issues and audit findings. Lastly, a literature review of other publications described the responsibilities of research administrators and their role in maintaining strong internal controls.

### **2.2. Details of review.**

The literature review showed that there is a need to maintain good internal controls, which includes both using consistent practices and knowing when to retain

additional documentation. A recent guidance issued by Office of Management and Budget indicated that many comments were received regarding the cost principles associated with direct costs and the request for examples of direct cost items. It indicated that it didn't find it appropriate to include such examples because it may be subject to misinterpretation.<sup>8</sup> This means that there are concerns that some expenditures may be open to interpretation with the possibility that expenditures determined by institutions of higher education to be allowable as direct costs are questionable or unallowable to the auditors. The National Academies of Sciences, Engineering, and Medicine cited that an area of concern in audits was "a lack of understanding amongst federal agencies, inspectors general, and research institutions regarding what constitutes compliance with financial policies and procedures."<sup>9</sup> The difference in the interpretation would affect the selection of audit findings and areas of noncompliance. This would result in going through the audit resolution process, where "final audit findings that end in discussion and negotiation between designated agency staff and institutional staff resolve the audit with penalties that are significantly smaller than what was reported in initial findings."<sup>10</sup> These two examples demonstrate the need for sufficient internal controls to correctly and consistently charge expenditures, and collect proper documentation for use during an audit negotiation in order to resolve audit findings and reduce penalties.

The literature review yield several articles highlighting that research administrators play an important role in supporting the internal controls in an institution

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<sup>8</sup> Office of Management and Budget, "2 CFR Parts 25, 170, 183, and 200, Guidance for Grants and Agreements," *Federal Register*, Vol. 85, No. 157 (August 13, 2020): 49510, <https://www.govinfo.gov/content/pkg/FR-2020-08-13/pdf/2020-17468.pdf>.

<sup>9</sup> National Academies of Sciences, Engineering, and Medicine, *Optimizing the Nation's Investment in Academic Research: A New Regulatory Framework for the 21st Century* (Washington, DC: The National Academies Press, 2016), 118, <https://doi.org/10.17226/21824>.

<sup>10</sup> Ibid, 119.

of higher education and ensuring that it administers federally funded grants and cooperative agreements in accordance to the Uniform Guidance. One way research administrators support internal controls is to discuss a particular issue or expenditure with the principal investigator and retain documentation that supports the action taken or expenditure charged. For institutions of higher education that are structured so that the financial management of awards are handled on the departmental level, the central post award administration office will sometimes contact the department in an audit and “it is not unusual to be contacted to provide specific documents. As such, it behooves departmental administrators to ensure all salary charges, purchases, changes (i.e., cost transfers, journal entries, etc.), and any other type of charges are well-documented and easily accessible.”<sup>11</sup> This indicates that it is important for research administrators to know how to identify questionable costs and when to request and retain additional supporting documentation.

The review of expenditures on an award throughout its lifecycle can be very time consuming and it may not always be possible to review every single transaction. This is especially true for research administrators with large portfolios. The literature review indicated that some institutions of higher education have adopted a method where expenditures under a particular dollar limit are reviewed after orders have been placed and posted into an account. The advantage of this method is that the personnel working on each project is able to quickly go through the procurement process and obtain the necessary materials to complete their experiments. However, it is necessary to find an effective and efficient way to complete the review of the expenditures. A good method

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<sup>11</sup> Kayron C. Gilstrap and Robert G. Bingham-Ray, “Fitting the Pieces Together: The Role of the Departmental Administrator in Uniform Guidance Compliance,” *NCURA Magazine*, December 2016, 8, [https://www.ncura.edu/Portals/0/Docs/Magazine/2016/NCURAMagazine\\_Dec2016.pdf](https://www.ncura.edu/Portals/0/Docs/Magazine/2016/NCURAMagazine_Dec2016.pdf).

would be to identify a process that “includes a system that identifies higher-risk expenditures that are of a questionable nature. It also includes a well-trained, qualified, and persistent staff that quickly follows up on questionable expenditures; and either affects the transfer of the expenditure to an appropriate source or document the appropriateness of the expenditure in the event of a future audit.”<sup>12</sup> Another important element to this method is the timely review of the expenditures throughout the award lifecycle and not just at closeout. The problem with completing a financial review at the closeout stage is that it can hinder the closeout process and cause delays.<sup>13</sup> This highlights the importance of having good resources and tools in place to help research administrators effectively and efficiently complete financial reviews.

The literature review found that some institutions of higher education had pre-closeout and closeout checklists. It is a common practice for all awards to be reviewed for financial compliance at closeout. The examples of pre-closeout and closeout checklists include many of the common financial management issues that should be included in a sponsored projects financial review checklist for research administrators to use during periodic financial reviews throughout the award lifecycle.

The University of Michigan provides both a project financial closeout guide and project financial closeout checklists with the purpose of reminding research administrators of the financial management topics and issues that should be reviewed.<sup>14</sup> The project financial closeout checklist is available in two different formats. One

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<sup>12</sup> Jerry Fife, “Fundamentals of Post-Award Administration,” In *Research Administration and Management*, Elliott C. Kulakowski and Lynne U. Chronister (Sudbury, MA: Jones and Bartlett Publishers, Inc., 2006), 428.

<sup>13</sup> Ibid, 431.

<sup>14</sup> “Sponsored Programs Project/Grant Closeout Checklists,” University of Michigan, accessed September 25, 2021, <http://www.finance.umich.edu/programs/sppgcc>.



checklist is driven by “areas to address” organized by common financial management issues. The other checklist is driven by the “timeline approach”, guiding the user on the tasks to complete starting 120 days before a closeout and during each 30 day increment as it approaches the project end date.<sup>15</sup> The checklists are to be used in conjunction with the project financial closeout guide, which provides some guidance on how to approach each topic.

The University of California, Los Angeles (UCLA) provides a department checklist at 90 days prior to fund expiration and a pre-closeout checklist to be utilized by the departmental research administrator before the actual closeout certification.<sup>16</sup> The department checklist is “not a complete compliance checklist but provides guidelines to assist in reviewing key compliance areas.”<sup>17</sup> It includes a description of key topics, but there is no companion guide that goes further into the topics. The pre-closeout checklist is structured as a list of questions where the departmental research administrator will indicate whether each financial management issue has been reviewed, and the form will need a signature certification to indicate the tasks have been completed.

Northwestern University structured their closeout checklist based on roles and responsibilities. The department, sponsored projects, and accounting services all have a different checklist. The departmental closeout checklist reflects a total of 30 tasks beginning with those that should be completed 90 days prior to the award end date, followed by 30 days prior to the award end date, and then those tasks for after the end

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<sup>15</sup> Ibid.

<sup>16</sup> “Closeout Resources,” University of California, Los Angeles, accessed September 25, 2021, <https://efm.research.ucla.edu/closeout-resources/>.

<sup>17</sup> “Department Checklist at 90 Days Prior to Fund Expiration,” University of California, Los Angeles, accessed September 25, 2021, <https://efm.research.ucla.edu/wp-content/uploads/efm-fund-closeout-department-checklist.pdf>.

date<sup>18</sup>. The checklist provides a few notes to elaborate on some of the tasks. It is formatted on an excel sheet and appears to have version updates periodically with a note on each change.

The audit reports issued by the federal inspector general show many different audit findings from various institutions of higher education. These audit reports point out some compliance areas that continue to come up as audit findings. In particular, UC Davis referenced on their website some audit reports that they indicated “were chosen as they had significant findings in areas that are currently major issues for all research universities.”<sup>19</sup> The details in these audit reports can be used to create best practices in financial management.<sup>20</sup>

### **2.3. Applicability of Literature Review.**

The literature review applies to the project because it shows that there are many financial management issues that need to be considered when managing federal awards. It highlighted the need to maintain good internal controls and the impact it has on the audit process. It explained the role of research administrators, the importance of being able to identify questionable costs and retain supporting documentation, and even provided an example of a system that focuses on monitoring high risk or questionable expenditures. All of these considerations lead to the conclusion that it is necessary to create a sponsored projects financial review checklist to aid in maintaining an effective and efficient way to adhere to federal agency policies and procedures on financial management.

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<sup>18</sup> “Award Closeout Checklist,” Northwestern University, accessed October 17, 2021, [https://www.northwestern.edu/asrsp/docs/closeout\\_checklist\\_current.xls](https://www.northwestern.edu/asrsp/docs/closeout_checklist_current.xls).

<sup>19</sup> “Federal Agency Audits,” UC Davis, accessed September 25, 2021, <https://financeandbusiness.ucdavis.edu/finance/contracts-grants-accounting/policies/fed-audit>.

<sup>20</sup> Ibid.

Some institution of higher education had pre-closeout and closeout checklists, which include many common financial management issues. There are audit reports that describe compliance areas that continue to be problematic and come up as audit findings for institutions of higher education. These sources highlight some of the best practices and high risk audit items that should be incorporated on the sponsored projects financial review checklist, which would support research administrators in doing their due diligence and being good stewards of federal funds.

## Chapter 3. Need(s) Assessment

### 3.1. Need(s) Assessment.

According to the Uniform Guidance, an organization must “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”<sup>21</sup> The research administrators play an important role in being good stewards of federal awards by adhering to policies and procedures in handling financial management issues. The performance of research administrators depend on the training and resources available. The challenge is to create resources to serve as guidance that would be the most helpful in supporting efficiency and efficacy. While many institutions of higher education maintain an institutional post award manual and a closeout checklist, there seems to be resources missing in a format that would both be concise and provide guidance for research administrators as they manage an award through its lifecycle. A sponsored projects financial review checklist would provide research administrators with a list of common financial management issues and high risk audit items that would help guide them in their periodic financial review. The checklist would improve both oversight and consistency in the financial review process. The need for a sponsored projects financial review checklist is to consistently apply best practices, maintain good internal controls, and reduce audit risks.

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<sup>21</sup> “Grants and Agreements,” Office of Management and Budget, *Code of Federal Regulations*, title 2 (2021): 124, <https://www.govinfo.gov/content/pkg/CFR-2021-title2-vol1/pdf/CFR-2021-title2-vol1.pdf>.

### 3.1.1 Assessment of Need.

The implementation of a strong internal controls framework is important for institutions of higher education to ensure accountability and compliance. Internal controls to prevent fraud, waste and abuse include “requiring detailed support for expenses charged to an award, and carefully reviewing those expenses to ensure all costs are allowable, allocable, and reasonable.”<sup>22</sup> Research administrators play a key role to ensure that action is taken that adheres to the policies and procedures. It is important to make sure they perform a financial review where these financial management issues are addressed properly. Research administrators will need to know the best practices on when to retain additional supporting documentation or how to assess that expenditures are allowable, allocable and reasonable. Research administrators have a finite amount of time, which is spent working on other research administration duties as well. Therefore, it is particular important to have a checklist with common financial management issues and high risk audit items to aid them in their work.

A careful review can be supported by providing personnel the resources like that of a sponsored projects financial review checklist to complete thorough and consistent periodic financial reviews. In order to support a robust post award administration team, there is a need to continually work on creating new tools that serve to improve the work being done. Many institutions of higher education continually update their websites and post award manuals with updated and revised policies and procedures. A sponsored projects financial review checklist,

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<sup>22</sup> Maureen M. Weir, “NSF OIG CORNER: Detecting and Preventing Grant Fraud,” *NCURA Magazine*, October-November 2020, 40, [https://www.ncura.edu/Portals/0/Docs/Magazine/2020/OctNov2020\\_NCURAMagazine.pdf](https://www.ncura.edu/Portals/0/Docs/Magazine/2020/OctNov2020_NCURAMagazine.pdf).

which can be shared on a cloud drive and revised with updated information, would be an additional useful resource.

The lack of internal controls can result in “the risk of having significant findings identified from auditors as well as negative reputations developed with outside organizations and agencies.”<sup>23</sup> The federal inspector general audit reports are available on Oversight.gov, which is a publicly accessible website. The public can search for the audit reports including those of institutions of higher education and examine their audit findings. Moreover, some institutions of higher education with significant audit findings have found themselves in the news. This leads to a diminished reputation in the eyes of the public in the use of taxpayer dollars for research. All institutions of higher education should continually improve their financial management process to avoid both the misuse of funds and bad publicity, rather than waiting until the federal inspector general reports the problems.

A literature review of recent audit reports show particular areas of compliance that have come up in audit findings, some of which continue to be major issues for institutions of higher education.<sup>24</sup> Some federal grant-making agencies also point out vulnerable areas of compliance. For example, the Office of Inspector General at the National Science Foundation indicated that two areas it has “consistently identified instances of noncompliance include travel and

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<sup>23</sup> Justin Magerman, Andrea Patino, Jenna Pedrin, and Chasmine Stoddart-Osumah, “Internal Controls: Why Do They Matter?” *NCURA Magazine*, December 2019, 19, [https://www.ncura.edu/Portals/0/Docs/Magazine/2019/Dec2019\\_NCURAMagazine.pdf](https://www.ncura.edu/Portals/0/Docs/Magazine/2019/Dec2019_NCURAMagazine.pdf).

<sup>24</sup> “Federal Agency Audits,” UC Davis, accessed September 25, 2021, <https://financeandbusiness.ucdavis.edu/finance/contracts-grants-accounting/policies/fed-audit>.

spending funds near award expiration.”<sup>25</sup> These are all examples that support the need for additional resources like a sponsored project financial review checklist to equip the research administrators to complete a thorough financial review for their portfolio of awards.

### **3.2. Metrics.**

The need for the sponsored projects financial review checklist was established based on the author’s experience and from the literature review. Research administrators generally meet periodically to receive updates on research administration issues, discuss policies and procedures, and request feedback on questions and problems in managing their portfolio of awards. It would be beneficial to put some of the most pertinent information in a sponsored projects financial review checklist that served as an accessible document that provides consistency and guidance to common financial management issues. The closeout process occasionally will require the research administrator to provide documentation of questionable costs or to process a cost transfer for unallowable costs. These instances have established that it would be beneficial to have a checklist to provide guidance throughout an award lifecycle to avoid dealing with these issues at closeout. The literature review showed that research administrators play an important role in maintaining internal controls. It also showed that federal agencies had ongoing plans to improve their auditing practices and have identified particular compliance areas that yield a greater number of audit findings.

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<sup>25</sup> Ken Lish, “The OIG and Research Funding – What to Expect,” *NCURA Magazine*, August 2019, 33, [https://www.ncura.edu/Portals/0/Docs/Magazine/2019/August2019\\_NCURAMagazine.pdf](https://www.ncura.edu/Portals/0/Docs/Magazine/2019/August2019_NCURAMagazine.pdf).

### **3.3 Sources.**

The author was able to determine the benefit of a sponsored projects financial review checklist to aid research administrators in completing a financial review of their portfolio of awards based on prior correspondence and experience with various individuals with a role as a research administrator and responsibilities in post award administration. The author has prior work experience as a supervisor of a group of entry level research administrators and had previously received feedback that there was a need to provide different levels of guidance in various formats. A post award manual was a helpful resource, but it was difficult to understand the material and apply the policies and procedures in a practical setting. Guidance in a concise format proved to be helpful in that it allowed the entry level research administrators to learn the process by focusing on the most common and problematic financial management issues in their financial review.

### **3.4. Committees.**

No committees were established to assist in assessing the need.



## **Chapter 4. Project Description**

### **4.1. Discussion of project elements.**

The project is to design a sponsored projects financial review checklist that can provide research administrators with guidance for the financial management of federally funded grants and cooperative agreements. This will serve to provide internal control in the financial management of the awards and to reduce the instances of audit findings. It is designed to be a step-by-step guide in a concise format of just a few pages that takes the research administrator through the financial review process. Each section identifies the financial management topic and then includes a breakdown of the specific issues to examine. The checklist is formatted on an excel sheet that will allow the research administrator to fill in the status of the financial review of each item.

The checklist covers the common financial management topics, along with an emphasis on high risk audit items. The checklist includes topics such as personnel, equipment, travel, participant support, other direct costs, subawards, program income, cost sharing, and budgetary changes. The focus on high risk audit items can help the financial review process be more efficient and effective by providing additional scrutiny to common noncompliance areas and ensuring the retention of supporting documentation. This checklist will allow the research administrator to be consistent in their financial review and reduce the probability of inadvertent oversight.

## **Chapter 5. Methodology**

### **5.1. Methodology Overview.**

An important element to ensure that research administrators perform their due diligence and continue to be good stewards of their portfolio of awards is providing the necessary resources to facilitate the financial review process. The resources should address the range of different financial management issues and include high risk audit items. It should be designed to be user-friendly and serve as a tool to expedite the process. This project identified that a sponsored projects financial review checklist would be a product that could help research administrators. The method used to gather information for the content of the checklist included doing research on the publications and resources obtained through the literature review and the author's experience as a research administrator. The publications and resources include the Uniform Guidance, institutional post award administration manuals, closeout checklists, audit reports, and research administration publications.

### **5.2. Project Design and Discussion.**

The common financial management topics and issues were identified through the Uniform Guidance and closeout checklists, while the specific guidance was incorporated from the institutional post award administration manuals. It shaped the basic framework of the checklist into two sections consisting of expenditures and budgetary changes. The expenditures section was then broken down into categories including personnel, equipment, travel, participant support, other direct costs, subawards, program income, and cost sharing. The high risk audit items were identified through the audit reports from

the federal inspector general and articles from research administration publications, and incorporated into the checklist.

### **5.2.1. Common Financial Management Issues**

The author reviewed the closeout checklist for several institutions of higher education, but determined that Northwestern University, UCLA, and the University of Michigan had the most comprehensive selection of fund management topics and issues. The topics were also the ones that were the common budget categories in a proposal and covered areas that require particular attention. It made sense to ensure these topics were included in the sponsored projects financial review checklist because the best practice is to conduct periodic reviews throughout the award period, and have most of these issues resolved in a timely manner before the final financial review is completed at closeout.

The elements implemented into the sponsored projects financial review checklist support the Uniform Guidance's emphasis that the expenditures be allowable, allocable and reasonable. It included the importance of reviewing the timing of expenditures, and scrutinizing purchases near the end of the award period. It incorporated a reminder to ensure old encumbrances were either paid or released and that those encumbrances that wouldn't benefit the project be moved off. It suggested a review to resolve any payroll and effort issues, and ensure that the posted charges were correct. It warned that equipment purchases in the last 90 days of the award end date were generally unallowable unless there was a solid justification on how it benefited the project. Other areas of concern included

collecting timely invoices from subrecipients, properly recording program income and fulfilling cost sharing commitments.

Federal grant-making agencies incorporate the Uniform Guidance's prior approval requirements for changes in the budget or scope of work. The Uniform Guidance indicate that prior approval is required for a change in the scope of the project, a change in key personnel, disengagement of the principal investigator for more than three months or a reduction of effort 25% or more, budget reallocation from the participant support category to another budget category, and issuance of a subaward not in the approved budget.<sup>26</sup> Furthermore, federal grant-making agencies have the option of waiving prior approval requirements for pre-award costs incurred 90 calendar days prior to the award start date, a one-time no-cost extension of up to 12 months, and automatic carry forward of an unobligated balance from one budget year to the next within the project period.<sup>27</sup> However, this is at the federal grant-making agencies' discretion and some agencies incorporate a prior approval requirement in the award documents of certain awards that are made. Therefore, it is necessary for research administrators to review the award documents and take appropriate action. These are all issues that need particular attention from research administrators in order for the initiation of the process of obtaining the agency prior approvals should it be necessary. As a result, these budgetary changes are included in the sponsored projects financial review checklist.

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<sup>26</sup> "Grants and Agreements," Office of Management and Budget, *Code of Federal Regulations*, title 2 (2021): 130-131, <https://www.govinfo.gov/content/pkg/CFR-2021-title2-vol1/pdf/CFR-2021-title2-vol1.pdf>.

<sup>27</sup> Ibid.

### 5.2.2. High Risk Audit Items

The sponsored projects financial review checklist is not complete without the inclusion of guidance to address high risk audit items as reflected by audit reports from the federal inspector general and articles from research administration publications. The checklist was designed to incorporate elements that address these particular risk areas that are known to be common instances of noncompliance and will be scrutinized during an audit. Brett M. Baker from the Office of Inspector General at the National Science Foundation indicated that some of the post award risks are related to inadequate documentation, subawards, cost transfers and unreported program income.<sup>28</sup> The checklist is a resource that supports internal controls, since it allows for the research administrator to complete a consistent financial review and provides guidance to complete tasks such as requesting for supporting documentation and moving off unallowable costs. Cost transfers can be completed in a timely manner within 90 days of the original transaction date when a financial review is done in a timely manner. The importance of the retention of additional supporting documentation has been emphasized throughout the literature review. Proper documentation is very useful during an audit negotiation in order to resolve audit findings and reduce penalties. It was implemented as a theme throughout the design process of the checklist, in particular for expenditures with high audit risk.

The National Science Foundation wasn't the only entity that pointed out the audit risk related to subawards. UC Davis selected an audit by the National

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<sup>28</sup> Brett M. Baker, "Automated Techniques for Enhanced Grant Oversight," *NCURA Magazine*, August 2015, 5, [https://www.ncura.edu/Portals/0/Docs/Magazine/2015/August2015\\_NCURA\\_Mag.pdf](https://www.ncura.edu/Portals/0/Docs/Magazine/2015/August2015_NCURA_Mag.pdf).

Institutes of Health on Yale University that highlighted significant audit findings in regards to subaward costs as a relevant issue for institutions of higher education.<sup>29</sup> UCLA also indicated the increase in collaborative research has resulted in more subawards being issued, which has also lead to scrutiny by federal grant-making agencies on this topic.<sup>30</sup> An important task in managing a subaward is engaging in subrecipient monitoring. The pass-through entity is responsible for monitoring all subrecipient activities and ensuring it adheres to the award terms and conditions. One important task is to review the invoice to ensure the expenditures are within the approved budget and project period, the funds are being spent at a reasonable rate with respect to the scientific or technical work being completed, and the Uniform Guidance certification statement is included with the subrecipient's signature.<sup>31</sup> The invoice should be received in accordance to the schedule in the agreement, and each invoice should be approved by the principal investigator. All these items are reflected in the checklist.

Ken Lish from the Office of Audits at the National Science Foundation pointed out that audit findings consistently appeared in travel expenditures because of the many policies that need to be applied.<sup>32</sup> In order to address the concern with audit findings in travel, the checklist indicates that research administrators should ensure that any travel expenditures on a federal award include documentation with a clear justification explaining how it benefits the

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<sup>29</sup> "Federal Agency Audits," UC Davis, accessed September 25, 2021, <https://financeandbusiness.ucdavis.edu/finance/contracts-grants-accounting/policies/fed-audit>.

<sup>30</sup> "Outgoing Subawards Overview," University of California, Los Angeles, accessed October 9, 2021, <https://ocga.research.ucla.edu/outgoing-subawards-overview/>.

<sup>31</sup> "Award Process," University of California, Los Angeles, accessed October 9, 2021, <https://ocga.research.ucla.edu/wp-content/uploads/subaward-award-process.pdf>.

<sup>32</sup> Ken Lish, "The OIG and Research Funding – What to Expect," *NCURA Magazine*, August 2019, 33, [https://www.ncura.edu/Portals/0/Docs/Magazine/2019/August2019\\_NCURAMagazine.pdf](https://www.ncura.edu/Portals/0/Docs/Magazine/2019/August2019_NCURAMagazine.pdf).

award. The financial review also needs to confirm that airfare purchased adheres to the Fly America Act and that an economy class ticket was purchased unless there is documentation that it falls into specific exceptions.

Another common audit item is the issue with expenditures incurred near the end of the award is related to concerns that funds are being used to purchase items that do not benefit the project in order to spend out the remaining balance.<sup>33</sup> This can be alleviated with checklist elements that guide research administrators to review that supplies and services are ordered and received before the award end date, and benefit the award within the project period. For example, if a laptop was purchased in the last month of the project period, but wasn't received until the next month, it couldn't have provided any benefit to the project.<sup>34</sup> This is just one example that demonstrates the problem with expenditures incurred near the award end date. The checklist guides the research administrators to scrutinize both the delivery dates and high volume orders near the end of the award period.

### **5.3. Discussion of Questionnaire.**

A questionnaire was not used for the project.

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<sup>33</sup> Ibid.

<sup>34</sup> "Expenditure Timing," University of Washington, accessed October 9, 2021, <https://finance.uw.edu/pafc/expenditure-timing>.

## **Chapter 6. Project Results and Discussion**

### **6.1. Project Result 1.**

The project resulted in the creation of a sponsored projects financial review checklist to aid research administrators during the financial review of their portfolio of awards. The checklist addressed common financial management issues and compliance areas that are often high risk audit items. It was designed as a step-by-step reference guide spanning the length of a few pages to be used in a practical setting and supplementing primary resources such as the sponsor award terms and institutional post award manual. The checklist is a Microsoft Excel spreadsheet document that can be uploaded as a shared file to a cloud drive and can be edited periodically to implement new ideas for best practices and revised with new information regarding financial management issues.

The checklist fulfills the objective of designing a resource that would improve consistency, effectiveness and efficiency in managing federal awards. It guides research administrators to consistently apply best practices and maintain good internal controls. By following the checklist, it is possible to reduce the probability that an issue is overlooked during the monitoring and reconciling of expenditures.

The use of the checklist should help research administrators resolve many problems in a timely manner and well before the closeout process. This will help prevent any delays during closeout and ensure a financial report is submitted by the sponsor deadline. It will also reduce the likelihood of any audit findings, and ensure proper documentation is retained for audit resolution of any questioned expenditures.



## **Chapter 7. Recommendations and Discussion**

### **7.1. Introduction.**

The objective to create a resource to support and improve the efficacy and efficiency of research administrators performing financial management duties resulted in the creation of a sponsored projects financial review checklist. The recommendation is for research administrators to utilize the checklist in the periodic financial review of their portfolio of awards. There should be plans to keep the checklist in a location that can be shared among fellow research administrators. Lastly, a plan should be developed to ensure either a quarterly or annual review of the checklist to implement updates and revisions of best practices and additional information.

### **7.2. Recommendations.**

#### **7.2.1. Recommendation 1: The checklist should be utilized by research administrators with duties that include financial review and award closeout.**

Research administrators often have to refer to many different documents in order to gather all the necessary information to manage their portfolio of awards. These documents include the Uniform Guidance, award terms and conditions, and institutional post award manuals. Information is also distributed through emails, meetings and websites. It would be useful to have a sponsored projects financial review checklist that can be utilized during the actual financial review process. It provides guidance and creates a streamline process to ensure both common financial management issues and high risk audit items are reviewed and any potential problems are addressed. The goal is to maintain consistency in the practice and to complete a thorough review. Research administrators need to

be good stewards of their portfolio of awards by applying best practices, maintaining good internal controls and reducing audit risks. Resources like a sponsored projects financial review checklist will help to guide and support their work.

**7.2.2. Recommendation 2: The checklist should be shared among research administrators and updated periodically to incorporate best practices and new information**

It is important to update guidance documents like the sponsored projects financial review checklist to keep up with changes because research administration is perpetually changing with updates to policies and procedures. Each new audit report issued by the federal inspector general provides a look into different problematic compliance areas and the corresponding audit risk. Many institutions of higher education have at least a quarterly research administration forum that provides updates and reminders. Updated information can also be distributed from sponsor issued notices, institutional notices, and departmental or unit level discussions. At minimum, there should be a plan to administer an annual review to update the checklist with best practices and revised guidance to financial management issues. However, it would be most beneficial to implement updates on a quarterly basis. Assigning a designated individual to implement all the updates and changes distributed through these avenues of communication would streamline the process. The checklist should be uploaded as a shared file into a cloud drive that can be easily accessed by fellow research administrators.

The result is a user-friendly checklist with updated cumulative information that a research administrator can easily browse through during a financial review.

## **Chapter 8. Conclusion**

Institutions of higher education need to maintain good internal controls in order to properly manage federal awards and protect against audit risk. The responsibility of research administrators with financial management duties is to be good stewards of federal awards by ensuring that all expenditures are allowable, allocable, reasonable and consistently applied. Research administrators often times have a heavy workload and limited time, so it is necessary to find ways to improve the process. The goal of this project has been to create a resource to help research administrators consistently, efficiently and effectively manage their portfolio of awards. A resource that supports a thorough financial review process ensures proper adherence to award terms and conditions. It ensures accountability to the public in the use of taxpayer dollars to support the approved scope of work and supports the greater objective of preventing against fraud, waste and abuse. The misuse of funds can lead to a diminished reputation of the institution of higher education and a decline in trust by stakeholders like the federal government and the general public.

While there are resources like institutional post award manuals and closeout checklist, there doesn't seem to be a resource in a checklist format spanning a few pages that can easily be used by a research administrator during a financial review. The creation of a sponsored projects financial review checklist helps provide guidance to research administrators because it can be difficult to memorize all the financial management issues that should be included in a review. The checklist ensures that common financial management issues and high risk audit items are a part of the financial review. The checklist includes topics such as personnel, equipment, travel, participant support, other

direct costs, subawards, program income, cost sharing, and budgetary changes. The focus on high risk audit items that have been identified through audit reports from the federal inspector general help the financial review process be more efficient and effective by providing additional scrutiny to those compliance areas and ensuring the retention of supporting documentation. It supports timely cost transfers, a reduction in the number of oversights, and protection against audit findings.

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## Appendix 1: Sponsored Projects Financial Review Checklist

### Sponsored Projects Financial Review Checklist

The purpose of this checklist is to provide research administrators with some guidance for periodic financial reviews. The information listed here will cover some of the most common financial management topics, but it should be used in conjunction with the award terms and conditions for each project to ensure a comprehensive financial review.

**PI Name:**

**Award Number:**

**Project Period:**

**Last Reviewed:**

#### EXPENDITURES

All Expenditures	Status
1) Ensure that all costs are allowable, allocable, reasonable and consistently applied.	
2) Review expenditures and documentation to ensure items benefit the award during the project period.	
(a) Review the purchase orders for service contracts, software licenses, and similar items that have a particular contract period to ensure it doesn't exceed the project period.	
(b) Make sure all items are ordered, received, and benefit the award during the project period.	
(c) Pay particular attention to expenditures incurred near the end of the project period, especially high volume orders that may not be used before the project ends.	
3) Review old encumbrances.	
(a) Check on old encumbrances to resolve items that are ordered, but not received yet.	
(b) If the orders are cancelled or no longer available, cancel the PO with the vendor and release the funds.	
4) Review expenditure types for each item to make sure everything is coded correctly.	
5) Check for invoices or credits in the procurement system to make sure all are processed.	

Personnel	Status
1) Check if there are any salary caps and that it is properly reflected on the applicable accounts. For example, NIH imposes a salary cap that is updated once a year.	
2) Review the PI and all senior/key personnel effort to ensure it is committed as reflected in the approved proposal, and that salary is properly charged.	
3) Check bi-weekly staff payroll to ensure charges fall within the award period.	
(a) Make sure any vacation time post to the correct account.	
(b) Any overtime pay must adhere to award terms. If allowable, retain documentation on why overtime was required and how it benefited the award.	
4) Review any administrative or clerical charges to ensure the charges are approved by the sponsor or in the approved proposal.	



<b>Equipment</b>	<b>Status</b>
1) Check the award documents to determine if any unbudgeted equipment is allowable.	
2) Retain supporting documentation from the PI to confirm that the equipment purchase not in the budget will not reflect a change in the scope of work and that it is allocated proportionally among the projects it benefits. A change in the scope of work requires sponsor approval.	
3) If equipment is being purchased during the last 90 days of an award, retain documentation with a strong justification on how it benefits the award and why it was necessary near the end of the project.	
4) Check to make sure the correct expenditure type is used for service contracts purchased with the equipment. This will ensure the correct indirect cost rate is applied.	
5) Check equipment fabrication account to make sure final total cost is at least \$5,000 and meets the definition of equipment. This will ensure the correct indirect cost rate is applied.	

<b>Travel</b>	<b>Status</b>
1) Check if travel is allowed on the award, especially for foreign travel.	
2) Documentation should have a clear business justification on how it benefits the award.	
3) Travel expenses must have the expenditure date and travel dates within the award period. For example, airfare purchased in advance must be within the award period and for travel to be completed before the award end date.	
4) The airfare purchased must adhere to the Fly America Act. If applicable, it may be covered by the Open Skies Agreement.	
5) Economy class airfare should be purchased. Upgrades are generally unallowable unless specific exceptions apply. Documentation must be kept on file. For example, if a business class airfare was purchased, then documentation should be retained to show it was a purchase under specific exceptions with approval.	
6) If the traveler is doing both business and personnel travel during a single trip, proper documentation like quotes must be obtained to verify the cost of the allowable business portion of the trip.	

<b>Participant Support</b>	<b>Status</b>
1) Employees are not considered participants. An employee participating in training or conference activities shouldn't be charged to this category. Participant support costs are related to training activities or conferences.	
2) Use of funds for participant support require sponsor approval (200.456)	
3) Rebudgeting funds from participant support to another category requires sponsor prior approval.	
4) Allowable participant support cost includes stipends, travel, subsistence, and registration fees for the participant.	
5) Cost for conference setup like conference room rental, catering and related supplies are unallowable in this category.	
6) Conference speaker fees or related costs like their travel costs are unallowable in this category.	

Other Direct Costs	Status
1) Check to make sure recruitment costs are allowable on the award.	
(a) Short term visa costs may be allowable for recruiting necessary personnel, but the personnel must work on the project for the full appointment period.	
2) Review charges for computing devices and ensure the cost is allocated in the correct proportions that benefit each award.	
3) Check on office supplies charges. Office supplies are unallowable as direct costs. If the cost is an office supplies type charge that is specifically used for a project, then supporting documentation with a clear justification should be retained.	
4) Review membership fees for professional organizations. These charges are generally considered as indirect cost.	
(a) A membership fee may be allowable on an award if it is required to attend a conference or used to obtain a reduced conference registration fee.	
5) Check for any food charges. Meals for lab meetings and between institutional colleagues are not allowable.	
6) Ensure that an award with animal charges have an existing valid IACUC protocol.	

Subawards	Status
1) Fixed priced subawards up to the simplified acquisition threshold that are not reflected in the approved proposal budget require prior approval from the sponsor.	
2) Check to make sure the allocation for each budget year has been issued to the subrecipient.	
3) Request for invoices if it is not being received in accordance to the schedule in the agreement. Check that the funds are being spent at a reasonable rate with respect to the scientific or technical work being completed within approved budget and period.	
4) Send a reminder requesting the final invoice to be submitted by the due date on the subrecipient agreement.	
5) Verify that the following information is on each invoice:	
(a) The expenditures are within the approved budget and project period	
(b) The invoices have the Uniform Guidance certification language from 2 CFR 200.415(a)	
(c) Each invoice is approved by the principal investigator.	
6) Check the posted charge to make sure the expenditure type correctly reflects whether the cost is the first \$25,000 of the subaward or over the amount. This will affect the application of the indirect cost charge.	

Cost Sharing	Status
1) Committed cost sharing, whether mandatory or voluntary, must be tracked and documented. Review and monitor the cost sharing amount and rate to ensure it is met by the end of the award period.	
2) Retain documentation for third party in-kind contribution for cost sharing	
3) All costs used for cost sharing must be allowable, allocable, reasonable and necessary for the project. It must follow the same guidelines as those cost allowable on the sponsor funded portion of the award.	
4) Cost sharing must not come from other federal awards unless otherwise approved by federal statute.	

<b>Program Income</b>	<b>Status</b>
1) Review the method used to account for program income in accordance to the award documents. If not specified, then the additive method should be used.	
2) Ensure that the revenue generated is posted to the correct account and as described in the approved proposal.	
3) Program income expenses must be allowable, allocable, reasonable and consistently applied.	
4) Retain documentation on the calculation of rates used for generating program income, and the billing records.	

#### **BUDGETARY CHANGES**

<b>Prior Approval Requirements</b>	<b>Status</b>
1) The following require prior approval as prescribed in the Uniform Guidance. Check award documents for action to take if any of the following situations is applicable:	
(a) A change in the scope of work	
(b) A change in key personnel	
(c) Disengagement of the PI for more than three months or a reduction of effort 25% or more	
(d) Budget reallocation from the participant support category to another budget category	
(e) Issuance of a subaward not in the approved budget.	
2) Federal agencies have the option to waive prior approval for the following items. Check the award documents if any of the following situations is applicable.	
(a) Pre-award costs incurred 90 calendar days prior to the award start date	
(b) A one-time no-cost extension of up to 12 months	
(c) Automatic carry forward of an unobligated balance from one budget year to the next within the project period. For example, NIH will indicate on the notice of award if automatic carry forward is applicable. If not, a request will need to be submitted after the FFR is accepted by the agency.	

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## **Appendix 2: Short Bio**

Winnie Fong received a Bachelor of Arts in Political Science and Sociology from the University of California, Los Angeles (UCLA). She subsequently received a Certificate in Accounting from UCLA Extension and holds the Certified Research Administrator (CRA) designation from the Research Administrators Certification Council. Winnie is currently working as a grant manager in the Division of Chemistry and Chemical Engineering at the California Institute of Technology. Prior to her current position, she was a fund management supervisor at the Department of Ecology and Evolutionary Biology at UCLA.